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INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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MAR 10 2010

MEMORANDUM FOR NAVAL INSPECTOR GENERAL,
COMMANDING OFFICER, NAVAL FACILITIES
ENGINEERING COMMAND, SOUTHEAST

SUBJECT: Repair Air Traffic Control Building 118, Naval Air Station Jacksonville, FL
(Memorandum No. D-2010-RAM-004)

We are providing this report for your information and use. We performed this audit in response to the requirements of Public Law 111-5, The American Recovery and Reinvestment Act of 2009. We considered management comments on a discussion draft of the report when preparing the final report. No additional comments are required.

We appreciate the courtesies extended to the staff. Please direct questions to Mr. Tim Wimette at (703) 604-8876 (DSN 664-8876).

Daniel R. Blair, CPA
Principal Assistant Inspector General
for Auditing



Results in Brief: Repair Air Traffic Control Building 118, Naval Air Station Jacksonville, FL

What We Did

Our overall objective was to evaluate DOD's implementation of plans for Public Law 111-5, the American Recovery and Reinvestment Act of 2009 (Recovery Act), February 17, 2009. Specifically, we determined whether the Repair Air Traffic Control Building 118 (ATC Tower) project was adequately planned to ensure the appropriate use of Recovery Act funds.

What We Found

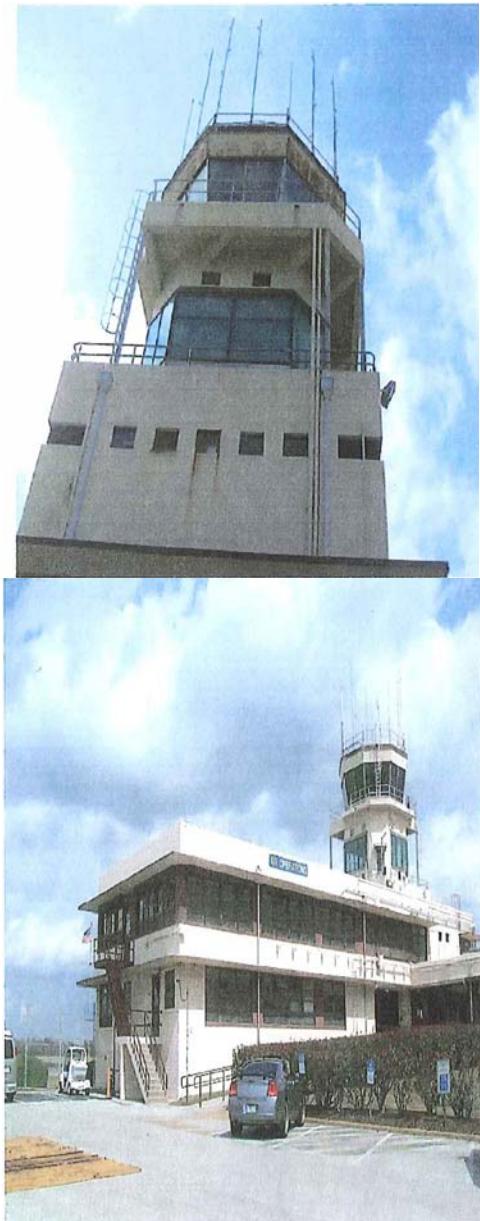
We concluded that the Repair ATC Tower project was a valid requirement. Although we identified some issues and concerns with required planning documents not adequately supporting the justification of the project, NAVFAC Southeast officials were able to provide additional information supporting repairs for the ATC Tower that provided us reasonable assurance that the project was a valid requirement. As a result, DOD had reasonable assurance that use of Recovery Act funds was appropriate for the project.

What We Recommend

This report contains no recommendations.

Management Comments

The Commander, Naval Station Jacksonville and NAVFAC Southeast officials agreed with our results and conclusions in the discussion draft report. We do not require any additional comments.



Air Traffic Control Building 118,
Naval Air Station Jacksonville, FL

Introduction

Objective

Our overall objective was to evaluate DOD's implementation of plans for Public Law 111-5, the American Recovery and Reinvestment Act of 2009 (Recovery Act), February 17, 2009. To meet our objective, we assessed the planning of a Recovery Act project to ensure accountability and transparency. Specifically, we determined whether the Repair Air Traffic Control Building 118 (ATC Tower) project was adequately planned to ensure the appropriate use of Recovery Act funds.

Background

In passing the Recovery Act, Congress provided supplemental appropriations to preserve and create jobs; promote economic recovery; assist those most impacted by the recession; provide investments to increase economic efficiency by spurring technological advances in science and health; and invest in transportation, environmental protection, and other infrastructure. The Recovery Act also established unprecedented efforts to ensure the responsible distribution of funds for its purposes and to provide transparency and accountability of expenditures by informing the public how, when, and where tax dollars were being spent. Further, the Recovery Act stated that the President and the heads of Federal departments and agencies were to expend these funds as quickly as possible, consistent with prudent management.

DOD received approximately \$7.4 billion in Recovery Act funds supporting Recovery Act projects. In March 2009, DOD released its "Expenditure Plans for the American Recovery and Reinvestment Act of 2009" which lists DOD projects (except for U.S. Army Corps of Engineers projects and the Homeowners Assistance Fund) that will receive Recovery Act funds. The Department of the Navy received \$1.928 billion in Recovery Act funds for Operations and Maintenance; Military Construction; and Research, Development, Test and Evaluation. Table 1 provides specific amounts allocated to each appropriation.

Table 1. Department of Navy Program-Specific Recovery Act Appropriations

Appropriations	Amount (millions)
Operations & Maintenance	\$916
Military Construction	\$937
Research, Development, Test and Evaluation	\$75
Total	\$1,928

Of the \$1.928 billion appropriated to the Department of the Navy, \$3.2 million (Operation & Maintenance) were appropriated to complete interior and exterior renovations of Building 118 ATC Tower at the Naval Air Station (NAS), Jacksonville, Florida.

NAS Jacksonville is a master air and industrial base that provides operational and logistical support for U.S. operating and allied forces worldwide, and for more than 100 tenant activities and other commands. The installation is also home to reconnaissance,

maritime, multi-mission, logistics, passenger, and cargo aircraft. ATC Tower facilities are required to provide continuous control over all military and civilian landing, departing, or traversing station air space. Also, the ATC Tower, which houses NAS Jacksonville personnel and equipment, is required to support personnel and cargo flights responding to southeast region emergencies. Naval Facilities Engineering Command (NAVFAC) Southeast developed the repair requirements for the ATC Tower project.

Audit Results

Conclusion

We concluded that the Repair ATC Tower project was a valid requirement. Although we identified some issues and concerns with required planning documents not adequately supporting the justification of the project, NAVFAC Southeast officials were able to provide additional information supporting repairs for the ATC Tower that provided us reasonable assurance that the project was a valid requirement. As a result, DOD had reasonable assurance that use of Recovery Act funds was appropriate for the project. Therefore, this report contains no recommendations.

Summary of Results

While NAVFAC Southeast officials adequately justified and supported the Repair ATC Tower project, the DD Form 1391 (planning document for proposed projects) and the economic analysis for the respective project did not provide sufficient justification. However, during our review NAVFAC Southeast officials were able to provide additional information justifying the repair of the ATC Tower as a valid Recovery Act project.

DD Form 1391. During our review of the June 26, 2009, DD Form 1391, we noted that the planning document did not fully support the justification for the repair of the ATC Tower. The proposed repairs included structural repairs; such as replacing the heating, ventilation and air conditioning system; repairing the electrical system; refurbishing interior finishes and lighting; and refurbishing exterior finishes. According to the DD Form 1391, the proposed construction would address the deficiencies identified in: 1) the structural inspection conducted in November 2005; 2) the Annual Inspection Summary in March 2007; and 3) a list of necessary upgrades identified by a Space and Naval Warfare Systems Command team site survey in June 2008. However, NAVFAC Southeast officials could not provide these inspections or studies for our review to validate the need for the ATC Tower.

While NAVFAC Southeast officials could not provide us with the aforementioned documents, officials were able to provide us with an Architectural/Engineering Study – “Study Phase for Repairs to Air Traffic Control Building 118, Naval Air Station, Jacksonville, FL” — April 15, 2009, which officials stated supported the justification for repairing the ATC Tower. The Study addressed work needed to bring the ATC Tower into compliance with applicable codes and regulations. Also, the Study discussed new equipment needed to meet requirements established by the National Airspace System Modernization Program and standards established by Federal Aviation Administration. Based on our review of the Study, we concluded it adequately supported and justified the proposed repairs for the ATC Tower.

Economic Analysis. The economic analysis was incomplete and did not fully support the justification for the Repair ATC Tower project. The NAVFAC Economic Analysis Handbook, October 1993, states that the economic analysis is a systematic approach to identify, analyze, and compare costs and benefits of alternative courses of action to achieve a given set of objectives. A six-step approach is used—define the objective, generate alternatives, formulate assumptions, determine costs and benefits, compare costs and benefits and rank alternatives, and perform sensitivity analysis. For the repair of the ATC Tower project, three of the six steps were not fully assessed in determining the most efficient and effective use of resources. A more descriptive narrative for three of these steps—determining costs and benefits, comparing costs and benefits and rank alternatives, and performing sensitivity analysis—was needed to support the project's justification.

Although the economic analysis for the project needed more detailed narrative to identify that repair of the current facilities was the best alternative, NAVFAC Southeast officials clarified the need to repair the ATC Tower as the best option. Specifically, NAVFAC officials stated that there were no viable alternatives, other than new construction, which was more costly, for bringing the current structure up to Federal Aviation Administration standards. Therefore, we concluded that the Repair ATC Tower project was a valid requirement.

Appendix. Scope and Methodology

Scope and Methodology. The Recovery Act provided the Department of the Navy approximately \$1.928 billion in funds (Operations & Maintenance, Military Construction, and Research, Development, Test and Evaluation) for Navy and Marine Corps Projects. Approximately \$3.2 million of Operations & Maintenance funds (Facilities, Sustainment, Restoration, and Modernization) was provided to support Recovery Act project Repair ATC Tower located at NAS Jacksonville.

This is one in a series* of reports on the DOD's implementation of the Recovery Act. This report addresses the ATC Tower project, valued at \$3.2 million. We conducted this audit from June 2009 to January 2010. We generally complied with Generally Accepted Government Auditing Standards. However, due to the unique requirements of the Recovery Act, along with time limitations for executing this audit, we did not fully comply with some planning and reporting standards. Specifically, we did not fully comply with the planning standards on the assessment and reduction of fraud risk, and the reporting standards on internal control deficiencies and the scope of work in relation to the total Recovery Act project population. We believe omitting some aspects of these standards did not limit our ability to accurately conclude on our audit objective.

We interviewed NAVFAC Southeast officials. We reviewed documentation including DD Form 1391, economic analysis, cost estimates, architectural and engineering studies, and other supporting documentation. We also conducted a site visit to tour the ATC Tower. In addition, we reviewed Federal, DOD, Navy, and NAVFAC Headquarters guidance and compared this guidance to our audit results.

Before selecting DOD ARRA projects for audit, the Quantitative Methods and Analysis Division of the DOD Office of Inspector General analyzed all DOD agency-funded projects, locations, and contracting oversight organizations to assess the risk of waste, fraud, and abuse associated with each. We selected most audit projects and locations using a modified Delphi technique, which allowed us to quantify the risk based on expert auditor judgment, and other quantitatively developed risk indicators. Initially, we selected 83 projects with the highest risk rankings; auditors chose some additional projects at the selected locations. We used information collected from all projects to update and improve the risk assessment model.

We used additional predictive analytic techniques for 2 other special cases: (1) projects performed jointly with State National Guard units in the 50 States, and (2) public works projects funded directly through the U.S. Army Corps of Engineers (USACE). We factored in workload volume, proposed costs, geographic districts, and USACE districts and regions in evaluating the relative risk of problems with oversight and completion.

*The DoD Inspector General will issue a separate report on Recovery Act Project No. 65199, Hospital Alteration, valued at about \$27.2 million, at NAS Jacksonville.

We did not use classical statistical sampling techniques that would permit generalizing results to the total population because there were too many potential variables with unknown parameters at the beginning of this analysis. The predictive analytic techniques employed provided a basis for logical coverage not only of ARRA dollars being expended, but also of types of projects and types of locations across the Military Services, Defense agencies, State National Guard units, and public works projects managed by USACE.



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